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# MONEY TALK FOR TEENS

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As you enter the main library of the University of Illinois at Urbana, you will find the following quotation over the doors:

THE WORLD HERE UNLOCKS  
THE EXPERIENCE OF THE PAST  
TO THE BUILDERS OF THE FUTURE.

This circular discusses experiences with money of teen-agers like yourself as well as economic principles that can help you build a future in which you can get more of the things you want with your money. The knowledge in this publication will help you to understand money so that you may use it to build the type of life you want.

In other words, this circular is designed to supply you with information and methods to use in building a sound economic future for you and your family.

If you are like most teen-agers (and older adults, too, for that matter), you don't have an unlimited amount of money. This means you must choose the goods or the services you want most from among a group of what economists call "unsatisfied wants."

Money is *one* means (but only one) you can use to get what you want out of life. You can use money to help reach many goals you may have. If your goals are like those of many teen-agers, they include some material goods such as a bicycle, a suit or a formal dress for the prom, a car to putter around with, a record player, a transistor radio, or all kinds of clothing, among other things. In addition, you probably have goals about the type of work you want to do when you finish high school, about additional education you want (like college or business or trade school), and perhaps even about the type of family life you will want to have. Money and your other resources may be used to help you reach your goals.

Throughout most of our lives, we are necessarily concerned with the process of getting and spending money. Much of the money your parents earn, for example, goes to pay for necessities — food, clothing, housing, utilities, transportation, etc. — and to pay for the way of life your family has chosen. Your family income, of course, sets limits on the level of living of your family.

Your family uses the resources it has, such as time, knowledge, abilities, and skills, to earn income for the family. Then your family exchanges the money it earns for the material goods and services it wants. Before long,

you will be concerned with the same process for yourself and perhaps later for your own family. Eventually you will need to make the decisions on how to allocate your income just as your present family has been doing. There will be one big difference, however — you will have more choices than your parents have had. Every day many new goods and services are being added in the market place. You will need to learn how to make the best choices for yourself if you are to get the most satisfaction you can from the money you have available.

We can say that practically everything in the economy has a money value — in the market place it's called a price. When you want to purchase an item in the store you find it always has a price. When you offer your services to someone for money, you set a price on how much they are worth.

Look at how this operates for a young person like Cathy Grant, for example. Cathy just had her fifteenth birthday. Most of her friends are planning great things for the summer. They're going swimming every day. They're going to pack picnic lunches and take bicycle hikes. Most of them are going to 4-H Camp. Oh, yes, in their spare time they're going to play tennis and listen to records. Cathy can hardly wait for summer.

Every day she fills family meal time with talk about swimming, camp, tennis, and bicycle trips. Her younger sister can't wait until she is 15 and can do all the things that Cathy does. Her parents listen to her plans, but Cathy doesn't notice the glances they exchange. Finally her brother, Bill (16), asks, "Just where do you think you're going to get the money for all that stuff?"

"Bill!" Mrs. Grant tries to silence him.

"Let him go on," says Mr. Grant.

Cathy looks at Bill with a puzzled look on her face. "Why it won't cost much. I'll use my allowance."

"Come on, Sis." Bill took Cathy by the arm and led her to the dining room table. "It's time we had a talk."

Together Bill and Cathy planned what Cathy would need for "her summer." First, Bill told Cathy to make a list of what items she would need, to indicate the items she already had, and to estimate the cost of needed items. The next page shows you what her first attempt looked like.

Cathy totaled how much money she needed to have just to pay for the basics for "her summer." She was discouraged — \$300.65. She had had no idea that those little things would add up to such an awesome amount. Bill then explained that she had some "resources" she could use to help pay for the summer expenses. That's why he had labeled the column of things she already had "resources."



Activity	Items	Need	Already Have (resources)	Price
Swimming	Swim suit	?	Not sure it fits	
	Cap	✓		\$2.00
	Clogs		✓	
	Beach towel	✓		3.80
	Admission (50¢ each)	✓		33.00
	Transportation (bus)	✓		39.60
Tennis	Racket	✓		\$12.79
	Balls	✓		2.14
	Shorts - 2 pair	✓		7.94
	Shoes	✓		3.77
	Sweater		Have V-Neck	
	Athletic socks - 3 pair	✓		2.88
	Net		Permanent one at Lincoln Park	
Bicycle Fixes	Bicycle	Want new one	Have old one, needs repairs	\$52.85
	Light	✓		6.89
	Levin's basket	✓		5.99
	Bike speedometer	✓		5.29
	Thermos jug	✓		3.75
4-H Camp	Sweater	✓		\$20.00
	Jeans - 2 pair	✓		7.94
	Shorts - 2 pair		Buying for tennis	
	Dress		✓	
	Jacket		✓	
	Swim Suit, cap, clogs		Will have for swimming	
	Toilet articles	✓		2.38
	Flashlight	✓		1.69
	Spending and craft money	✓		5.00
Listening to records	Record player - stereo	✓		\$56.95
	Records	Want 7	Have a few	23.50

Cathy tried on her swimming suit — it was a trifle faded, but it fit! She was lucky. She could make it do for another season. By buying a season pass to the swimming pool, Cathy found she could save \$25.50. She hadn't realized they were available until Bill told her. Cathy scratched out the transportation cost — she could ride her bicycle or walk. As for the beach towel, she decided she could make one for 88¢. Also, she decided to make the shorts she needed from some material her mother had on hand. Dad offered to loan his flashlight for camp.

Then she retotaled the figures and found that she still needed \$223. Although she was discouraged, Bill wasn't. He told her she had other resources — her time, her sewing skill, her health, community facilities, and the length of time before she needed the money.

This is what he told her. The amount of money Cathy had was limited, but she had time after school and on Saturdays when she could babysit. Since Bill knew Cathy's sewing skill was well thought of by others, he suggested that she try to get some sewing work. He also pointed out that instead of spending money for the activities her friends were planning for the summer they could go to the free community band concerts, plan to take in the county fair (on a "money limit" they set ahead of time), and join the reading club at the library. In other words, he suggested that Cathy look around the community and find out what she and her friends could do, have fun doing, and not spend money. The three months she had before summer vacation would be plenty of time to save the money she needed.

The first hurdle was to convince her parents. Although Bill had worked and saved money for three years, they weren't sure that Cathy ought to do it. But Cathy was enthusiastic and persuasive — her good grades, her skills, her promise to help around the house, and her determination won out in the end. They agreed that she could try it for three weeks. Within two days she had arranged to take care of a neighbor's child and had found two of her mother's friends who were willing to let her make dresses for them. Out came the sewing machine and cutting board, and Cathy lost herself in the work she was doing.

At first it was hard to go right home after school instead of stopping by the "malt shop" for snacks and talk. But Cathy stuck to her plan. By the end of the week she found that she had also saved \$2.25 just by not spending it on drinks and snacks after school — another side benefit. Soon some of her friends became interested and decided to try her program. One other thing. Cathy found that she now used her study halls much more efficiently. She didn't leave her next day's assignment to be done at home. She had other uses for her time now.

## What Is Money?

We know that in the United States money is dollars and cents — coins and paper money — which is called currency. Checkbook dollars are also money. In fact, businesses and trades use checkbook dollars for more than 90 percent of their financial transactions. Today more and more families and individuals are relying on this form of money. For example, many employers will send an individual's paycheck directly to the bank for deposit in the individual's account. Then he can write checks without ever actually having the money go through his hands. If you have a checking account in a bank, you have a general idea of how this works. If not, you may be interested in finding out more information about this.

Money, then, is both currency and checkbook dollars. But money is also a means to an end — one way to get what you want. It is one thing that we can use to get some material good or service we want. Only for the miser is it an end in itself. Usually we want money for what it will do for us.

## How Do We Use Money?

Money is a means of exchange.

1. *It's a way to exchange something you have for something you want.*

For example, if you have \$15 and you see a camera that you want in a store, you know you can give the clerk \$15 and he will give you the camera. In other words, you exchange something you have (\$15) for something you want (camera).

2. *It's a way to exchange something you have for something someone else wants.* For example, if you are old enough to babysit, have time, and have the necessary capabilities to do a good job, many families will give you money if you will take care of their children. In other words, families will exchange something they have (money) for something you have (time and job skill).

3. *Money is a way to tell how much something is worth in relation to something else.* It's a kind of measuring stick against which we can put two things to find out their worth in terms that are easy to understand. It gives us a common denominator. For example, three hours of your time and your skill as a babysitter may be worth \$1.50 to a homemaker. Your time and skill may be meaningless to the camera store owner. However, you can exchange your time and effort with the homemaker for money and save up to buy the camera. If the homemaker pays you 50¢ per hour

for babysitting, then the camera is worth 30 hours of babysitting. (To find the answer, you divide the price of the camera — \$15 — by the amount per hour you get for babysitting —  $\frac{\$15}{.50} = 30$ .)

Remember how Bill and Cathy figured out how Cathy could exchange some of her skills for money? Remember, too, how Cathy found that by not spending money on snacks after school she had extra money to purchase more expensive things she wanted with her money? For Cathy, giving up her after-school snack for four days was enough to purchase the terrycloth she needed to make a beach towel and the findings for her shorts. The time and skills she used for Mrs. Carter's dresses were exchanged for enough money to buy her season pass to the swimming pool.

Cathy's brother Bill was more experienced in using resources. He was working after school at mowing lawns (or shoveling snow) and on weekends at a service station in town. Primarily, Bill was saving his money for college. When he took a girl on a date, he planned how much he could spend and stuck to his budget. He found he could date less often and spend more money on an evening, or he could date more frequently but spend less money each time. Since Bill wanted to have fun now but he also wanted to save for college, he found that he needed to watch his expenditures fairly closely.

## How Do We Get Money?

In general, the money you receive comes from an allowance, a dole, earnings, gifts, or borrowing.

### *Allowance*

An allowance is a fixed amount of money given to you at regular intervals. This is what most authorities consider your share of the family income. Since it is a regular amount you can count on, an allowance helps you to begin managing money. The amount of money you get for an allowance will depend on several things, so your family and you should discuss the amount if it is to be agreeable to all concerned. It will depend on how much money your family can afford to give you, on what you will buy with your allowance, on how good you are at managing money, and on whether you have another source of income.

Some teen-agers have a fairly large allowance and are expected to use it to buy their clothes, school supplies, and personal items, to pay for their entertainment, and to save for larger items they may want as well as for emergency expenses. If your family has enough money to handle an al-

lowance in this manner, this is an excellent way to learn how to manage money for your future.

If you do get an allowance, no fair asking for extra money. Now is the time to learn how to live within your income — no matter how small or large it may be — and hand-outs from your family are strictly out. Depending on handouts won't help you learn how to meet financial emergencies wisely when they arise.

## ***Doles***

If you get money when you ask for it, you receive what is called a dole or you are on what is called a dole system. Some teen-agers say that they like this way of getting money, since they feel they get more money. Others say that they feel like "charity cases."

When you don't know how much money you can count on, you don't have an opportunity to learn how to manage money while you are young and have others close at hand for advice. On the dole system, you just go through the motions of spending money while the major decisions as to how and for what the money is spent are made by the person who gives you the money.

The dole system doesn't prepare you to manage money as an adult. If you are on the dole system, talk to your family about putting you on an allowance system. Or perhaps you may be old enough to begin earning money on a regular basis.

## ***Earnings***

The money you earn may come from doing odd jobs for your parents, your relatives, your neighbors, or others in the community, or your earnings may be in the form of wages from a regular after-school or weekend job. Many teen-agers report that earning money makes them "feel good." They report having a feeling of freedom in spending, saving, and sharing their money that they didn't get from allowances, doles, or gifts. Earning money helps you to learn the value of money in terms of time and effort. Remember how 30 hours of babysitting could eventually lead to the new camera? Later we'll discuss some advantages and disadvantages of working while you are in school.

## ***Gifts***

Sometimes you may receive gifts of money on birthdays and at Christmas, or at other times from visiting relatives and family friends. You can't count on gift money, since you never know when it is coming. There-

fore it should be handled in a different way from an allowance, earnings, or even a dole.

If you receive a fairly large money gift, you may wish to consult with your family about ways the money might be spent most wisely. You might want to save part of the money for some specific purpose, and you might want to use some of it for needs or wants you consider more pressing. Whatever you do with it, you should feel satisfied that the gift is being used in a way that will give you a great deal of satisfaction. That's what gifts are for — to make you happy. Talking over the use of gift money with your family sometimes helps you to decide just the right place or places for it. And you can get a lot of pleasure just from thinking and talking about all the possibilities.

### ***Borrowing***

Sometimes an emergency will arise and you will have a great need for money — but you have none available. What do you do? Your allowance won't come in until the end of the week; if you're on the dole system, you can't convince the family that the need is great enough; if you're earning money, your paycheck may be over two weeks off; and you don't want to dip into your savings. What do you do? Well, you could borrow some money to see you through to "pay day."

If you borrow money from your family, you should do it on a business-like basis. Credit (borrowing) from a bank always costs you a certain percent of the amount you are borrowing, based on the amount of money, the length of time you keep the money, and how good a credit risk you are. Your chances of getting a loan from a member of your family might be based on somewhat the same principle — to teach you good use of credit, of course.

Whether or not you get credit may depend on whether the person has the money to loan, on whether you paid it back the last time you borrowed money, on how you are going to use the money, and on how you plan to pay it back. Caution — borrow only when you need to, since it practically always costs money. Borrowing at home is a good way to learn about credit, however.

### **How Do You Use the Money You Have?**

**Spend it?** If so, who decides how you spend your money? Who decides what you should buy with your money? You should decide. Sure you're open to suggestions and advice, but now is the time to get the "feel" for handling money.



What do you buy with your money? Think about it for a little while. Are you satisfied with the way you have been spending your money?

**Share it?** Do you give gifts to others? Do you ever treat your family or sometimes your friends? Do you make contributions to your church or community organizations? Sharing your money with others can make you feel good all over. In fact, the act of sharing gives you a "feeling" you can get no other way. It's difficult to know when to share and how much to share when you have many uses for your money. Perhaps if you're short on cash but have some time and energy to share, you might rake leaves or wash windows for an elderly neighbor, or you might help your younger brother build a model slot car, or you might offer to wash the dishes for your sister when she has extra studies.

**Save it?** Is there something you want, but you don't have the money for it? Save for it. Now's a good time to develop a good habit. Always try to save some part of your income — no matter how small it may be.

## How Do Teen-Agers Spend Their Money?

Many things influence the way teen-agers spend their money. For example, age and sex are important factors. One study concerned with 4-H members' buying found that of each dollar spent by the teen-age group, the largest amount, 29¢, was spent by both boys and girls for school lunches and supplies. However, girls spent another big portion, 26¢, for clothing and personal items. They tended to spend three times as much as boys for this group of things. Boys tended to distribute their spending more evenly among various items. For sports, movies, and snacks they spent a total of 29¢, while girls spent 20¢. Two expenditures were unique to boys. These were spending for dates and for oil and gasoline — a total of 14¢ out of every dollar.

Information from studies of individual teen-agers indicates that, to a large extent, decisions on how their money is to be spent are made by the young people themselves. Parents offer advice, but teen-agers are likely to control their own purse strings. The older the teen-ager, the more responsibility he has for his spending.

Studies also reveal that expenditures in the early teens tend to be for frequently purchased, less expensive things for personal use. In the late teens purchases include major items.

Information we have about the types of goods you teen-agers purchase indicates a concentration of spending on certain products. Your purchases of such diverse things as ice cream, carbonated beverages, lipstick, deodorants, home permanents, electric razors, and popular records account for a considerable part of the total sales of these items.



## Plans for Spending Your Money

Are you satisfied with the way you are spending your money, or does your money go through your hands and you're never quite certain what happened to it? Do you always seem to need money for something — and once you have it you need money for something else? If the latter is the case, you no doubt need help with managing your money. You need help in getting what you want with the amount of money you have.

One way to do this is to decide what you want your money to do for you. Remember how Cathy listed the things she wanted to do in the summer and how much it was going to cost? Try Cathy's way and make some lists. Start out with some of the things you need or you'd like to have in the near future — maybe in a month or two. We'll call them short-term goals. List them below:

Short-term goals	Approximate cost

Now think ahead a little farther. What do you need or want in six months or a year? These are your intermediary-term goals. They take more planning, more thought, and of course more time to carry out. Cathy's wants for summer — camp, bicycle trips, etc. — would be intermediary-term goals. List yours below:

Intermediary-term goals	Approximate cost

By now you probably have some idea of your needs or wants of a long-term nature. These would be things you might want to accomplish or do within the next five years. You may want to read some of the other parts of this publication before filling in your goals. Bill's plan for college was his long-term goal. When you're ready, list them below:

Long-term goals	Approximate cost

With a few goals — some idea of what you want and need in the future — and a commitment to reach these goals, you are on the road to being satisfied with the way you use your money. This will help you to avoid haphazard spending. This will help you to keep financially fit.

The next step is to decide how you're going to reach the goals you've listed. This has to be up to you and your family. These steps might help you in setting up a good financial management program:

1. *Keep track of how your money is spent.*

2. *Look over these expenditures and see if they are helping you to reach the goals you've listed.* If some of your expenditures are not helping you to reach your goals in the best way, change them.

3. *When you find you have money left after going through the above process, this money may be used to reach other goals.* Usually the way to reach intermediary- or long-term goals is to save money for them.

You may find that your goals or some of them take more money than you have coming in or than you can make available through careful financial management. You can do two things: (1) Change your goals to fit within the amount of money you have; (2) find some way to increase your income to help finance your goals (like Cathy did).

If you decide more income is the way — that it's time you begin to earn some money — discuss this with your family. You and your family should consider all sides of the situation before reaching a decision. Are

you capable of carrying additional responsibilities? If you get a job after school or on weekends, will your school work suffer? Will your health suffer? What will you need to give up in the way of school and after-school activities? In other words, talk over the advantages and disadvantages with your family. Will you have any expenses connected with a job — transportation, clothing, dinner out? Will you need to give up any home responsibilities if you go to work outside the home? Will your family suffer from your absence? Fill in the form below. This may help you to think over the pros and cons:

Advantages of a job for me	Disadvantages of a job for me

One thing you should remember about goals is that they change as circumstances change. You will need to look them over from time to time. For example, if you are planning to get married right after high school, you may have listed goals related to household furnishings and equipment. But if you decide to go to college or to work instead (long-term goals), you may want to change some of your shorter-term goals to help you attain the long-term goal. In addition, things may happen in your family that may make you want to change your goals. If financial circumstances worsen and your family needs your financial assistance, because of illness of the breadwinner, a drouth, or a poor business season, you then may change your goals to share what you have with other members of your family.

The opposite would also be true. If you have been helping your fam-

ily with finances and they no longer are dependent on this support, you may then be able to change your goals and even add to them.

## **Keeping Track of Your Expenses**

We mentioned that one step in setting up a sound financial management program is to keep track of expenses. Keep track of your expenses in an account book. Usually this will help you to:

1. Be more careful about small expenditures — this helps you to think as you spend.
2. Have a record to use in estimating your money needs for the next few months (or year ahead) — information to use in planning your goals.
3. See where changes can be made in current expenditures.

## **What Happens When You Make a Choice?**

Before we go on, you should know what takes place when you make an economic choice. Understanding this will help you to make intelligent decisions in the future on how to spend your money. There are three steps in the choice-making process: deliberation, value judgment, and choice.

Let's take a look at these three steps in the choice-making process so that you may understand more about your purchasing behavior. For example, let's assume that you have some money and you decide to spend it on either a bicycle or a record player. What do you do?

### ***Deliberation***

The first step in the choice-making process is to deliberate. Deliberation is trying to find out what to do when you want more things than you can buy with the money you have. It's finding out what alternatives are available to you before you act.

The problem is that you can afford to buy either the bicycle or the record player, but you can't buy both. At least two other alternatives are possible: (1) You can save the money and buy neither the bicycle nor the record player; (2) you can purchase something else with the money. Your problem is to decide which of the alternatives you want most. Which alternative will give you the most satisfaction?

Once you decide you will buy either the bicycle or the record player, you should try to find out which is the better purchase for you. Reading . . . talking . . . shopping all help here. Talk to friends, relatives, salesmen. Read about the different types of bicycles and record players available. If possible, try out many types of both pieces of equipment. Get all the facts you can that will help you make a choice. You can make a comparison

similar to the one below, including advantages and disadvantages of your own:

	Automatic phonograph to replace nonautomatic	Racer bicycle to replace non-gear one
Description	Two-speaker stereo phonograph. 9-inch turntable. Solid state transistorized circuits. 1 movable speaker. 4 record speeds.	Gear changer. 10-speed. Dual side-pull handbrakes. 21-inch frame (steel). Whitewall tires. Taped handlebars.
Advantages	Can put on several records at one time. Much better tone than old one. Can enjoy stereo music. Uninterrupted music — better to study by. Rest of family can also enjoy it.	Easier to ride than old one. Will use it more than I use present one. Looks "sharp." Minimum repair cost on new bicycle.
Disadvantages	Will want to buy more records. Could use money for something else. More complicated than non-automatic so may involve more repairs later.	Could fix up old bike for about \$6.00. Probably will use new bike just during summer for bike hikes. Would still need to buy light. Would still need to buy saddle basket.
Price	\$56.95	\$52.85

After you have made a comparison, based on advantages and disadvantages as well as price, you are ready for the second step in the choice-making process. You are ready to make a value judgment.

### ***Value Judgment***

When you make a value judgment, you decide that one alternative is better than a competing alternative. Or you decide that one thing you want is better than another thing you also want.

Going back to Cathy's situation with the bicycle and the record player, let's look at how she solved this. She decided that she, her family, and her friends would get more satisfaction from the record player than she would from a new bicycle. This was her value judgment. She preferred one thing (the record player) to another (the bicycle).

Think it through. You will find that value judgments are the basis for your choices. They are the part of the choice-making process — the internal part — that you don't see *but* which influences your final choice.

## **Choice**

The third and final step in the choice-making process — the external part — is the action of making the choice, of buying the record player. It is selecting one thing when you have other things available which you would also very much like to have. Choice is really a type of human behavior. It assumes that you have purpose to the action you take, that you are conscious of what you are doing, and that you have freedom to make a choice. Choice should be a fundamental part of your life, since it has to do with your tastes and your values, with what is important to you. In future years this will be a very important part of your own family's life.

## **How Do You Use the Choice-Making Process?**

You'll find that you don't go through the choice-making process every time you buy something. Many routine items you buy are purchased on the basis of value judgments you made sometime in the past.

You may wonder how you acquire value judgments. They are acquired from the persons or from the groups with whom you associate from day to day. Examples would be your immediate family, your teachers, your school friends, or your church and community groups.

Let's take an example. You have purchased one brand of cola for a long time. Every time you stop after school, are on a date, or help with the grocery shopping, you just automatically get this cola. Sometime in the past — perhaps from your parents — you acquired a value judgment that it was good to drink this cola. It pleased you, and therefore gave you more satisfaction than some other beverage. Then maybe some of your friends noticed you buying the same cola every time. They tasted it and switched to your brand. They made a value judgment that your cola was better than the beverage they had been drinking. Or their value judgment could have been that it was "good" to do what you do. In this way, a value judgment made in the past enables you or your friends to act on what we call an habitual basis. Or, you might say, it helps to develop habits which help to make buying easier. There is no need to make another value judgment until something happens to interrupt your continued purchase of the product.

What would happen to make it necessary for you to make a value judgment? Well, if you are like many teen-agers, you may have a prob-

lem with your complexion. Let's say, for example, that a nutritionist or a physician suggests that you "go easy" on sweets and cola drinks until your complexion clears up. NOW you must make a value judgment. You must decide if you'll give it a try. If you decide that it is "good" to have a clear complexion, then you'll switch your choice to milk or some other substitute beverage.

Let's look at another situation, which happened to the Grant family. When Mr. Grant became ill and couldn't work for three months, Bill made a value judgment that it was "good" to help the family with current living expenses until his father could go back to work. Remember, Bill was saving every cent he could (except for his planned evenings out) for college. When his family had this cut in income, the family talked it over. Cathy suggested that they try to cut clothing and food and car expenses as much as possible. Bill suggested that his income go to help with family expenses. Mother suggested that she might go to work. Father suggested that they could use their savings to tide them over. In other words, when something serious happened in the family, the family talked over the possible alternatives. They discussed the advantages and disadvantages of each alternative. In this way they could decide what course of action was "good" for the family as a whole. They decided which course of action they preferred to take from among the alternatives available. This is how they used the choice-making process. This is how the choice-making process works.

## **How Do We Explain the Choice-Making Process?**

Once Cathy was aware of what happened when she bought something (made an economic choice), she asked, "Why do I buy the things I do?" She wanted to know some of the reasons for her choices.

To explain economic choices, economists use the marginal utility principle. According to this principle, an individual (or a family) will continue to buy a given article, such as food, as long as he can get greater satisfaction from it than from some other use of the money. Whenever a person feels that he can get more satisfaction from the purchase of some other article, he will change his spending to it.

Following this principle (marginal utility principle) Cathy realized why she gave up her after-school snacks even on days when she didn't have babysitting or sewing responsibilities. She found that she got more satisfaction from saving up for her "summer" and for more expensive things she wanted than she did from spending her money on after-school snacks.



We should point out that the marginal utility principle assumes that people will act rationally. This means that a person will choose an appropriate means to accomplish a given end. Take Bill again for an example. He has a goal of going to college. He knows he needs money for books, tuition, etc., in order to go to college. So he is working and saving money as a means to accomplish that end. Another appropriate means would be for Bill to study hard and prepare himself intellectually for college. If studying helps him to get a scholarship, he may accomplish two things. First, his studying will help him to be better prepared for college and enable him to be accepted by a college. Second, his studying may prepare him so he can pass a scholarship examination and thereby help to finance his college education.

The marginal utility principle, then, explains that people behave in a certain manner in order to maximize their satisfaction.

Mrs. Grant decided Cathy and Bill might be interested in hearing what she had learned in an extension meeting. So she told them about some of the reasons why persons spend their money the way they do.

Family living expenditures were used as an illustration. Research studies indicate that family living expenditures increase as family income increases. For example, why do families spend more money on clothing or recreation when their income increases? This would be because of their standard of living, according to James Duesenberry, a well-known economist.

The standard of living of an individual (or a family) in economic terms would be the goods and services that he feels it is necessary or essential to have. According to Duesenberry, a rising standard of living is one of the major goals of our society. If this is the case, it means that as soon as a person accomplishes one of his goals, then another goal takes its place.

Duesenberry feels that families think of their current expenditure or consumption pattern as a temporary adjustment to economic circumstances; they expect to take the first opportunity to change the pattern — to improve their level of living. In view of their attitude, it is easy to understand why a family's spending will increase when the family moves into a higher income group.

"That makes sense," chimed in Mr. Grant. "Remember how the Websters said that they were going to get a new car just as soon as Frank got a raise? They did, too. He got the raise in October, and they ordered the car in November." The rest of the family agreed that Duesenberry's explanation of striving for a higher level of living could certainly be an explanation for the Webster's new car purchase.

In other words, this means that we have unsatisfied economic wants

that we will try to satisfy just as soon as the money is available. Cathy had "wants" for summer activities. She was striving hard to earn the money to help pay for these wants. Cathy's behavior could be considered an example of having a rising standard of living as a goal.

Another thing Mrs. Grant said she learned about at the extension meeting was Duesenberry's "demonstration effect." This explains why persons increase their expenditures even though their income remains the same. Duesenberry starts with the assumption that families believe the consumption of high-quality goods is desirable and important. If this is the case, it follows that you can be made dissatisfied with the goods you use by a demonstration of the "superiority" of other goods.

He feels that you are not apt to become dissatisfied with your present goods just by knowing of the existence of "superior" goods. However, if you come into frequent contact with "superior" goods (goods you feel are better than those you have at present), you are apt to become dissatisfied with your present goods. In other words, the more frequent your contact with goods you believe are superior to goods you are now using, the more likely you are to increase your spending by buying these goods.

"Your record player!" said Bill. Cathy protested. Then she had to admit that it was probably the "demonstration effect" at work on her. The record player she wanted was just like the record players that two of her friends owned. The more she visited her friends and heard the deep bass tone of the automatic phonograph and the more she saw it in action, the more unhappy she became with her old portable. Then there was that television commercial featuring "her record player" last month. Then the local record shop had a special trade-in sale on "her record player." All these helped to explain why Cathy bought the phonograph.

Cathy was deflated. "I wish I'd known, maybe I would have gotten along with my old one." Mrs. Grant told her that this reaction was the whole reason for knowing about the different things that influence you to spend your money. You'll probably be more careful with the money you have to spend if you are aware of what happens when you buy something (choice-making process) as well as what influences you to make the economic choices you do. Then you are in a position to make money work for you. You are in a position to get the most satisfaction possible from the money you have to spend.

## **You and Advertising**

Advertising is an important influence on the way you spend your money. As teen-agers you represent a tempting and expanding market. You make up a very large proportion of the population of the United

States (nearly one-fifth). Many companies are eager for a share of your spending money, and they are going after it by directing advertising to you.

Studies have shown that advertising can influence spending. Advertising directed to you isn't confined, however, to products you are already buying in sizable quantities. Advertisers recognize the importance of making prospective customers familiar with their merchandise.

If you are in the late teen group, for example, you are a potential customer for all kinds of house furnishings and appliances. Manufacturers and merchants of products for the home — silverware, china, electrical appliances, and the like — concentrate much of their advertising budgets on ads geared to appeal to your group.

Even when you yourself do not buy the advertised product, you may still be the ad man's target. If you can be sold on the product, you can often persuade your parents to buy it.

Since teen-agers are the target of a barrage of advertising in newspapers and magazines and on radio and television, you should learn to use advertising for your own advantage. You should know that advertising both informs and persuades. You should understand the techniques used by ad men so you can tell the difference between information and persuasion, between facts and emotional appeal. You should be able to read ads critically.

An ad usually contains specific facts (price, quality, availability, size range, or the like), trade puffs, and attention-getting devices. An ad may state that the product is milder, richer, softer, or tastier. These are examples of trade puffing. It's accepted practice for an advertiser to puff — that is, praise — his product.

An advertiser may not make a specific misstatement of fact or give specific misleading impressions. If he says his product works 10 percent faster, then it must work 10 percent faster than something else or than it did before he added ingredient X. If the advertiser states as a fact something that is not true, it is the responsibility of the Federal Trade Commission (FTC) in Washington to order him to discontinue the use of such advertisements.

What determines whether a claim is misleading and therefore must be discontinued? If a reasonable person would be misled, then the ad is judged misleading. For example, if an advertiser of baby powder pictures a three- or four-month-old baby saying that he likes this particular powder the best, the ad would not be deemed misleading. Why not? Because a reasonable person knows an infant can't talk, and consequently he won't be taken in by the ad.

But what about an ad that says, "Men who wear Lifetime shoes win at bowling"? Well, presumably a reasonable person wouldn't be taken in by this either. Some ad men practice a fine kind of brinksmanship, seeing how close to the edge they can venture before the FTC calls a halt.

You should become sophisticated and skeptical about ads. "You're in a wonderful world apart in your Golden Award Sweater. . . . Admiring glances from the world around you prove it is the most exciting of *all* sweater fashions. . . . And the Gold Shield emblem points to outstanding excellence in style, design, and workmanship." How much of this is information? How much persuasion? Do you ask yourself, "What award? Whose gold shield?"

Or take this ad, "Smart fellows go for All American slacks." Or this one, showing a pretty girl: "The smartest juniors in the U.S.A. live in Petite. Tailored exclusively for juniors by Seth." The proper response to these ads is, "Who says so? Where's the evidence?"

As a result of the efforts of the Federal Trade Commission, glaringly false claims are seldom made. But subtle statements or pictures can guide the unwary into a mental trap, an emotional response, or a false inference that the advertiser wants him to make. Watch a few TV commercials for shampoos, lotions, deodorants, or toothpastes directed at the teen-age girl. Near the girl on the screen is an attractive boy — or several. What's the inference for you? If the girl washes her hair with this shampoo, brushes her teeth with this toothpaste, or uses this particular deodorant, the outcome is obvious.

When you decide to buy a particular article, you should get the information necessary to make an intelligent purchase. You should become acquainted with the agencies that provide reliable information about products. By following this procedure, you will avoid irrational responses to advertising and impulsive purchases. You will be using advertising to your own advantage.

## **And Now It's up to You!**

You've had a chance to learn about money and other resources . . . to learn about getting, spending, and sharing money. You've seen how many factors influence the way you spend your money. You've shared the experiences other teen-agers have had with money.

**Remember the quotation on the University of Illinois Library!** We are trying to unlock the experience of the past for you. It's up to you, and you alone, to decide whether you want to build a satisfying economic future! If you decide you want to build a satisfying economic future, it's up to you, and you alone, to do the building.

